GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:186
ANSWERED ON:11.12.2008
LOSSES TO THE OIL COMPANIES
Kumar Shri Shailendra;Shukla Smt. Karuna

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the oil companies are running into heavy losses despite the increase in the prices of petrol, diesel and LPG;

(b) if so,the company-wise estimated loss likely to be suffered by the oil companies during the years 2007-08 and 2008-09;and

(c) the steps being taken by the Government to offset the losses suffered by these companies?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS(SHRI MURLI DEORA)

(a) to (c): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (c) of Lok Sabha Starred Question No. 186 by Shrimati Karuna Shukla and Shri Shailendra Kumar to be answered on 11th December,2008 regarding Losses to the Oil Companies.

(a) to (c) : The Public Sector Oil Marketing Companies (OMCs) namely, Indian Oil Corporation (IOC), Bharat Petroleum Corporation (BPC) and Hindustan Petroleum Corporation (HPC) have reported combined losses of Rs.14,431 crore during the first half of 2008-09.The details of Profit after Tax of the OMCs for the year 2007-08 and losses for the period April-September 2008 are given below:-

(Rs. crore)

Name of OMC	2007-08	2008-09 (Apr-Sept.'08)
IOC	6962.52	(6632)
BPC	1580.56	(3692)
HPC	1134.88	(4107)
Total	9677.96	(14431)

Figures in () denote losses

To protect the financial health of the OMCs, Government has been following a 'Burden Sharing' mechanism, under which the burden is shared by all the stakeholders, viz., the Government, the Public Sector Oil Companies and the consumer;in the following manner:-

Issue of Oil Bonds by the Government to the OMCs to partly compensate them for their under-recoveries;

Issuing price discount on crude oil and petroleum products by the Upstream Public Sector Oil Companies to the OMCs;

Downstream Oil Companies to bear a portion of the under-recoveries;

Minimal increases in the retail prices of the sensitive petroleum products.

The details of the burden sharing during the year 2007-08 and 2008-09 (April-September, 2008) are as below:

(Rs. in crore)

2007-08	2008-09

(April-September'08)

Under-recovery 77123 104391

Upstream Sharing 25708 25929

Oil Bonds 35290 44967

Absorbed by OMCs 16125 21957

Total 77123 92853

Projected under-recovery based on actual under-recovery during April-November, 2008 and on the basis of Refinery Gate Prices effective 1.12.2008.Figure subject to finalization at the end of the Financial Year 2008-09.

In addition to the burden sharing mechanism,Government has taken some additional steps to provide relief to the OMCs.These are:

(a) Reduction of Custom Duty on Crude Oil to Nil and on Petrol & Diesel to 2.5%;

(b) Reduction of Excise Duty on unbranded Petrol and unbranded Diesel by Re.1 per litre.